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Caught up in the Past?

Social Inclusion, Skills, and Vocational Education and Training Policy in England

Abstract:

Since the mid-1990s, governments of different political persuasion have tried to reform VET policy to address problems in skills formation and social inclusion. Despite considerable policy activism, success has been somewhat limited, and England failed to overcome the problems associated with its liberal training regime. This paper assesses the failure in vocational skills formation as a political economy and a public policy problem. It challenges the determinism in the political economy literature, points to poor public policy making, and outlines possible policy levers.

Keywords:

England, Social Inclusion, Skills, Vocational Education and Training, Apprenticeships.

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Caught up in the Past?

Social Inclusion, Skills, and Vocational Education and Training Policy in England

Across the political spectrum, vocational education and training (VET) and especially apprenticeships receive considerable attention (Steedman, 2011). VET is widely considered a key policy strategy for improving the job prospects of young people with low skills (which have been described as a ‘new social risk’ in post-industrial societies; Bonoli, 2005; Taylor-Gooby, 2004). In addition to this social inclusion dimension, VET policy has the capacity to address key economic concerns, especially poor productivity by international standards. It has been long recognised that large parts of the British economy are trapped in a ‘low skills/low productivity equilibrium’, in which companies compete in markets for low-quality goods where low (labour) costs are critical for market success (Finegold & Soskice, 1988). This is not to argue that the economy has no high-skills industries. In fact, a few sectors (such as banking, advertising and bio-technology) display high productivity and competitiveness, and firms benefit from the highly flexible UK labour market. However, in most service sectors and manufacturing, the economy suffers from a lack of intermediate skills, leaving the country with a high degree of skills polarisation (see also Hillmert, 2008; Fuller & Unwin, 2003; Green, 2001). The great reliance on a few competitive industries led both policy-makers and academic observers, in the wake of the Great Recession, call for a ‘rebalancing of the economy’ for less reliance on the financial sector in particular. The policy objective of revitalising manufacturing is thought to require a boost in vocational skills; and the idea of a highly skilled workforce as a source for both global competitiveness and social justice has been described as a “secular religion throughout the developed world” (Brown, 2001: 236).

England, however, does not have a strong track record in VET policy. The failure of VET is typically ascribed to the country’s liberal training regime and, more generally, its lib-

eral political economy (Finegold & Soskice, 1988; Hall & Soskice, 2001). Liberal training regimes are characterised by a great reliance on the market and general education in skills formation. Firms are not greatly committed to initial VET but instead offer some rather *firm-specific* ‘on-the-job’ training. This is in sharp contrast to the apprenticeship model of German-speaking countries in particular, where employers are heavily involved in *industry-specific* skills formation which combines on-the-job training with considerable classroom learning. Also, the state displays low commitment to vocational training in liberal countries, in terms of both regulatory intervention and the mobilisation of financial resources. In the UK, with its liberal training regime, firms show very limited interest in up-skilling their workforces and little engagement in VET. In addition to their product market strategies, employers are said to be driven by a fear of ‘poaching’. Caught in the low skills/low productivity equilibrium—at least as far as large parts of the economy are concerned—made observers speak of ‘market failure’ in VET (see also OECD, 2009).

Acknowledging the failure in vocational skills formation, governments of different political persuasion displayed some significant policy activism to improve intermediate skills. After a brief historical account of the Thatcher government’s VET policy, the paper discusses and assesses the reforms of VET during the Major (1990-97), New Labour (1997-2010) and Coalition governments (2010-15), with a focus on government-funded apprenticeships and, more generally, work-based training. Despite considerable activism in this policy domain, it is concluded that VET policy has not overcome the problems that are commonly associated with the liberal training regime. In the conclusions, we also provide a brief, preliminary assessment of the current Conservative government. With reference to the institutionalist path dependence theory, this article assesses the continued failure of VET policy as a political economy and public policy problem.

The Fall and Rise of VET: From Thatcher to Major

After a brief ‘intermezzo’ of intervention in vocational training starting in 1964 with the establishment of Industrial Training Boards (ITBs), England moved firmly back onto its voluntaristic trajectory with the election of the Thatcher government in 1979. Employers successfully mobilised against ITBs, which were abolished in 1981. The Manpower Services Commission (MSC), established in 1973 to coordinate training policy across industry sectors and to give employers and trade unions a stronger voice in training policy though later abolished by Thatcher, became pre-occupied with rising youth unemployment. In 1983, the Youth Training scheme was created as a labour market programme to improve the employability of the young unemployed for a better re-integration into the labour market. However, the quality of vocational training, typically provided by private for-profit agencies, was generally considered to be rather poor. Instead of competing with Germany’s ‘dual system’ of vocational training as ambitiously proclaimed, the scheme producing NVQ Level 2 qualifications was associated with cheap labour, social engineering and the ‘manipulation’ of unemployment figures. In the face of high youth unemployment in the 1980s, training policy moved away from traditional apprenticeships as a means of vocational skills formation, and the government’s strong belief that *the market* was the best means to deliver training translated into modest programmes for the young unemployed and school-leavers who struggled to find employment. VET was reduced to an instrument to deal with the growing problem of mass youth unemployment (Goodwin, Hills, & Ashton, 1999; King, 1997; Payne & Keep, 2011).

In the face of the UK’s continued industrial underperformance by international standards (which was, among other things, related to skills deficits and poor training), the conservative Major government acknowledged that policies introduced in the 1980s failed to deliver the skills deemed imperative for economic success. Essentially accepting the failure and shortcomings of Youth Training (leading to Level 2 qualifications), the government intro-

duced the so-called Modern Apprenticeship programme to improve the provision of Level 3 qualifications. With the ambition to break with the poor image of Youth Training, the government envisaged employers to ‘own’ apprenticeships in their sectors but business showed little enthusiasm. The Major government might have started with the motivation to create a training system that could compete with the best in Europe, but commentators viewed the Modern Apprenticeship as ‘evolving’ from the Youth Training scheme. Both in terms of quantity and quality, Modern Apprenticeships, standing by the trust in the market and voluntarism, did not match the high standards that were common in Continental Europe, and thus the government failed to address the problem of intermediate skills (Brockmann, Clarke, & Winch, 2010; Fuller & Unwin, 2003; Hogarth, Gambin, & Hasluck, 2012).

On a Trodden Path: New Labour’s VET Policy

With the election of the New Labour government in 1997, we observed a period of both continuity and change in vocational training policy. New Labour adhered to the voluntaristic approach of its predecessor as far as training in companies was concerned. Here, one finds the persistent commitment to neoliberalism and the rhetoric of the market. However, the new government, convinced of the importance of skills for economic performance and social inclusion, ascribed a greater role to *the state* in skills formation and increased substantially public spending on further education (Rainbird, 2010; Simmons, 2010).¹ New Labour’s approach was essentially characterised by a strategy of improving publicly funded VET that was thought to translate into better skills utilisation by employers and ultimately greater productivity and competitiveness of the economy; this has been described as a skills-supply approach (Payne & Keep, 2011).

¹ Between 1998 and 2009, further education saw an average annual real increase of 7.7%, which was (besides capital spending) the largest increase in the education budget (Chowdry & Sibiet, 2011).

In addition to the increasing of public spending, New Labour engaged in institutional reform. As its conservative predecessor, the New Labour government acknowledged the critical importance of apprenticeships for the formation of vocational skills. It, however, believed that the target of Level 3 qualifications undermined the expansion of apprenticeship numbers. It was a common place for employers to claim that they lacked applicants that met the educational prerequisites for Level 3 apprenticeships (Steedman, 2011). Reforming the Modern Apprenticeship programme of the Major government, New Labour sought to create a ‘vocational ladder’, which leads from Foundation (Level 2) to Advanced Apprenticeships (Level 3) and then to two-year Foundation Degrees as vocational qualification in higher education (Fuller & Unwin, 2003). Yet, the envisaged ‘vocational ladder’ failed to deliver the desired results. Whilst the apprenticeship programme that was initially thought to largely produce skills at Level 3, it was eventually dominated by Level 2 qualifications (House of Commons, 2015).² Thus, the revised apprenticeship framework did not deliver the intermediate skills that were deemed imperative for industrial success. Also, Foundations Degrees saw very low take-up. In this context, it is worthy to note that apprenticeships at Level 2 would not typically be considered an apprenticeship qualification in Continental European countries, where Level 3 qualifications are the norm in apprenticeships (Brockmann, et al., 2010; Payne & Keep, 2011). In addition, unlike the Continental practice, the great majority of apprenticeships were not provided by employers but private training providers (Page & Hillage, 2006; Payne & Keep, 2011). Unsurprisingly, New Labour’s apprenticeship scheme, as the programme of its predecessor, failed to break with the poor image of government-sponsored training programmes among young people, their parents and employers. Because of their low status and poor quality of training, English apprenticeships are “commonly regarded as an undemanding

² When Labour entered office in 1997, it found about 75,000 young people starting a Level 3 apprenticeship (the Major government’s Modern Apprenticeship), which only increased very modestly by 14,000 to 89,000 in 2009/10 when Labour left the government. By contrast, Labour’s Level 2 apprenticeships had 190,500 starts in 2009/10 (House of Commons, 2015).

route for low attaining students” (Brockmann, et al., 2010: 116; see also Hogarth, et al., 2012; Fisher & Simmons, 2012). Reviewing New Labour’s track record in vocational training policy, it has been argued that the government, in practice, prioritised the objective of *social inclusion* over skills formation (Rainbird, 2010; Steedman, 2011). As with Youth Training, Labour’s apprenticeship became a means of managing youth unemployment; and rather than building on genuine employer demand, private training providers (on behalf of the public) commonly found themselves in a position where they had to ‘persuade’ employers to take on apprentices (Fuller & Unwin, 2003).

Concerned about the overall low skills level across the workforce (as compared to other advanced economies), the government shifted its focus from labour market *entrants* to *adult workers* with low skills.³ In 2005, New Labour, as outlined in the 2003 Skills Strategy, established an Adult Entitlement to Learning⁴ to tackle the problem of the large share of basically unqualified workers (Page & Hillage, 2006; EIROnline, 31 May 2005). For the over-25s without Level 2 qualification, the Train-to-Gain (T2G) programme was established to encourage employers with subsidies to up-skill their workforce. This new flagship policy was thought to appeal to employees, as it not only provided them with an opportunity to improve their qualifications but also to certify existing vocational skills (Mazenod, 2014; Payne & Keep, 2011).

In addition to substantial policy instrument changes, the New Labour government revised the governance structure of VET. In 2001, replacing the Training and Enterprise Councils established by Thatcher, the government (with support from employers and trade unions)

³ One third of workers received very little or no systematic training from their employer, and most of these workers were without Level 2 qualification. Furthermore, about one fifth of the workforce did not have basic literacy skills (at the level of an 11-year-old or below) and one in five also struggled with numeracy (EIROnline, 5 March 2003).

⁴ The Entitlement to Adult Learning provided full tuition remission for all adults to achieve a first full vocational Level 2 qualification. With this entitlement, learners could also fund very basic courses improving literacy and numeracy skills. Adults under 25 years could furthermore qualify for a Level 3 qualification, which however was not restricted to vocational qualification.

created the national Learning and Skills Council and 47 local Learning and Skills Councils (LSCs), which were assigned the responsibility of funding all post-compulsory education and training (with the important exception of higher education).⁵ Employers were given 40% of seats on these bodies, whereas trade unions could only apply for one seat. The same applied to Sector Skills Councils (SSCs), which had the main responsibility of identifying sectoral skills need and occupational standards (Cuddy & Leney, 2005; Keep, Lloyd, & Payne, 2010; Rainbird, 2010). As part of the 2003 Skills Strategy, the government established (again with support from employers and unions) the so-called Skills Alliance, which was thought to represent a new social partnership for skills between the government, CBI, TUC and the Small Business Council. Admittedly, employer and trade union representatives gained some greater prominence through the Skills Alliance. However, it has been questioned whether they exercised substantive impact on the government's VET policy. As far as trade unions were concerned, we saw New Labour breaking with the outspoken hostility of the previous conservative government, and the new government employed a new rhetoric of inclusiveness. In practice, however, organised labour did not gain much greater voice, and we did not observe the building of social partnership under Labour leadership. Rather than genuinely including business and unions in decision-making, the government appeared to have used the Alliance instrumentally to 'champion' its policies (Clough, 2007; Keep, et al., 2010). The tenure of the Skills Alliance was short-lived. Following the Leitch Review and its recommendations, the government replaced, in 2008, the Alliance with the UK Commission of Employment and Skills (UKCES) for the strategic co-ordination of employment and skills policy. Leitch viewed the Skills Alliance as 'ministerially-led' and intended the new commission as a means to give employers a greater voice. Unions were, as on other bodies, represented but again in a marginalised role (Keep, et al., 2010; Rainbird, 2010).

⁵ Whilst the national council was responsible for setting the national framework and resource allocation, the local councils overlooked the day-to-day running of training programmes.

Although the rhetoric of the New Labour government emphasised the critical role of employers (as the previous government did), employers failed to develop a strong voice in VET. With the termination of the MSC, we saw the end of collective business representation in this policy domain. Instead, one pursued a representation of individual employers in state-created and state-funded institutions, which were essentially created to deliver government policies in a top-down manner. With reference to LSCs, for instance, it was questioned to what extent these councils were actually ‘employer-led’ as suggested by the government. LSCs were concerned with policy delivery and played a very minimal role in policy-making, which was dominated by central government. Employers were typically hardly involved in the development of targets, for instance. Likewise, SSCs did not provide businesses with forums for meaningful voice. It was criticised that employer organisations were very poorly involved (with no formalised relationship), and one could also observe rather conflictual relations between SSCs and employers’ organisations (e.g. with the Engineering Employers Federation) (Keep, et al., 2010).

Overall, it seems fair to conclude that VET policy under New Labour experienced an “extraordinary centralisation” (Rainbird, 2010: 257; see also Clough, 2007), where policies were pursued in a top-down approach. This applied, most importantly, to the national LSC with great power to set the national framework for VET policy and to allocate resources to local LSCs, but also to initiatives such as the Skills Alliance. It was difficult to see a strong voice of employers, as social partnership remained rather illusive. Towards the end of its tenure in government, Labour announced the abolition of LSCs, and replaced it with the Young People’s Learning Agency (for 14-19 year-olds) and the Skills Funding Agency (for further education). In VET policy, we find government as “system architect” (Keep, et al., 2010: 411), dominating the policy domain and changing the institutional structure single-handedly when it was felt appropriate. VET policy can be thus described as a field of little institutional

continuity – but without change that undermines the fundamental principles of policy design. In other words, despite the state claiming a stronger role, the central liberal underpinning of VET policy (i.e. the trust in employer voluntarism and the market) was not challenged during the tenure of the New Labour government.

The Coalition Government: A Turn-Around in VET?

As with the previous Labour government, the conservative-liberal Coalition government (2010-15) stressed the importance of raising skills for economic growth and prosperity, as well as for social inclusion. In the new government's skills strategy, one also observed that the skills supply approach continued to inform policy, as one finds the familiar rhetoric of putting "employers in the lead" (HM Government, 2011: 26). Importantly, the Coalition government expressed a strong commitment to apprenticeships as the "gold standard in vocational training" (DfE & BIS, 2013: 20), and acknowledged the importance of Level 3 qualifications and the progression to Level 4, for which a new 'Higher Apprenticeship' was introduced. To increase the number of apprenticeships, the Coalition committed some additional funds, but these came from other programmes, which experienced severe budget cuts. In its efforts to consolidate the public finances, the government did not spare further education, and imposed a budget reduction of 25%. Thus, prioritising budget consolidation, the Coalition effectively foreclosed a more ambitious training policy (DfE & BIS, 2013; Payne & Keep, 2011; HM Government, 2011; UKCES, 2013).

Whilst full training costs are covered for the 16-18 year olds, the government only provides 50% for the 19-24 year olds and up to 50% for the over-25s (House of Commons, 2014: 3). Generally, for post-19 apprenticeships, government expected greater co-funding from employers or the individual. Learners, however, showed great reluctance to fund their training. The further education loan system to fund apprenticeships for adult learners was

terminated less than one year after coming into operation, as it only attracted 795 applications instead of the government's expectation of 25,000 applicants (House of Commons, 2014).⁶ Despite spending cuts in VET, the re-direction of resources (e.g. from the termination of the Train-to-Gain programme) allowed a significant increase in apprenticeship starts from 280,000 in 2009/10 to 509,000 in 2015/16 (House of Commons, 2016). The recent increase, however, has been described as a "limited success" (Gregg, 2014), as the by far biggest increase can be found among apprenticeships of the over-25s (from 49,000 to 224,000 apprenticeship starts in the same period).⁷ In terms of skills levels, despite much rhetoric, we observe the continued dominance of Level 2 qualifications with 57% of all new apprentices (House of Commons, 2016). Adult apprenticeships can have a great appeal to government, as these receive much less support than apprenticeships for the under-19s, and accordingly allow the increasing of apprenticeship numbers at lower costs to the public purse. Adult apprenticeships are also thought to appeal to employers to train existing staff. Instead of genuinely improving vocational skills, however, adult apprenticeships are often restricted to formalising already existing skills (Steedman, 2011; UKCES, 2013), and it is suggested that the recent rise among the over-25s is actually the product of the 'rebranding' of employees on Train-to-Gain as apprentices (Lupton, Unwin, & Thomson, 2015).

Whilst English apprenticeships used to have a typical length from one to two years (compared to three to four years in Continental European countries with an apprenticeship tradition) (UKCES, 2013), it received much criticism that many government-funded appren-

⁶ Also, especially as far as desired Level 3 qualifications are concerned, it remains unclear why employers should make the expected financial contributions, if it is possible to recruit cost-free Level 4 qualifications from universities. Hence, in the end, training costs might remain with the individual (Payne & Keep, 2011).

⁷ By contrast, the under-19s have seen very little progress (from 117,000 to 131,000). The group of 19-25 year olds has had a slightly clearer increase (from 114,000 to 154,000) but little in comparison to the sharp rise among the over-25s.

ticeships had a duration of less than 12 months.⁸ Although the Coalition government introduced a minimum duration of 12 months, it still allowed shorter apprenticeships for the over-19 year olds. Also, the government introduced the requirement of at least 280 hours of ‘guided learning’ in the first 12 months, and 30% or 100 hours (whatever is greater) must be delivered off-the-job (House of Commons, 2014).

As with the New Labour government, the conservative-liberal Coalition engaged in policy reform, but without challenging the liberal underpinnings of VET policy. In the following, VET policy is assessed in greater detail. We first discuss whether the failure in VET policy is the result of a fundamental political economy problem, before approaching the problem from a public policy point of view.

The Failure of VET in Britain: A Political Economy Problem?

Although substantial public resources have been provided, it has been widely criticised that governments failed to make significant improvements in the skills profiles of the workforce. Provision focusses Level 2 rather than Level 3 qualifications; the latter dominates in Continental European countries with a strong VET tradition. Thus, despite a strong rhetoric to promote intermediate skills for greater productivity and competitiveness, government (regardless of political orientation) can be seen as prioritising quantity over quality in actual policy. In short, the social inclusion rationale (as in the Youth Training schemes of the 1980s) still ‘trumps’ skills formation (Fuller & Unwin, 2003; Rainbird, 2010; Steedman, 2011). Especially in situations of high youth unemployment, it is in principle understandable that government has an interest in reaching a great number of young people with labour market and training programmes. However, with the exception of a few sectors (such as manufacturing), poor

⁸ In 2011, for instance, the retailer Morissons employed one in ten English apprentices, which made up around 40% of Morissons’ entire workforce. An apprenticeship with Morissons had a typical length of 6 months (BBC, 2 April 2012).

quality is ascribed to government-funded VET and apprenticeships (Rainbird 2010). A government-commissioned report, the Wolf Review, concluded that many low-level vocational qualifications have virtually no labour market returns (Wolf, 2011); and also the OECD (2009) questions the labour market value of Level 2 qualifications and notes possible tensions between the government's focus on Level 2 qualifications and employers' principle interest in Level 3 and 4 qualifications (see also National Audit Office 2005). Not only does the predominance of Level 2 qualifications raise concerns over the effectiveness of the social inclusion strategy (if the labour market chances of young unemployed are not significantly improved), it also raises, more generally from a skills policy point of view, the question as to whether government funds are actually sensibly used. Furthermore, if government-funded VET provision presents itself as a means of social inclusion rather than skills formation, this reinforces the widely perceived low status of vocational qualifications in England – making it more difficult to elevate the social status of VET.

Related to the concern about the efficiency of resource allocation, it has also been critically noted that policy expansion has put a great emphasis on adult vocational training instead of a firm focus on initial VET for youngster, especially school-leavers. Whilst New Labour's policies were first geared towards young people, adult training quickly gained prominence, as for instance expressed in the Train-to-Gain programme for the over-25s as New Labour's flagship programme. It has been criticised that much activity in this programme was concerned with the certification of existing skills rather than genuine skills formation. This can be considered a costly exercise of 'virtual learning' that does not actually improve qualification levels but helps the government targets formally meeting its skills targets (Fuller & Unwin, 2011). The recent expansion of apprenticeships by the current Coalition government has also, as discussed earlier, focused on adult apprenticeships for the over-25s, which allows 'volume' at less costs compared to initial VET (National Audit Office, 2012).

Understanding the failure of VET policy as skills policy draws our attention to the role of employers and the wider political-economic context of the UK. It is well documented in the literature that employers continue to display very limited policy engagement and much reluctance to offer apprenticeships despite significant public resources for VET (Fuller & Unwin, 2003; Hogarth, et al., 2012; Payne & Keep, 2011). The literature commonly points to the earlier mentioned ‘low skills/low productivity equilibrium’ (cf. Finegold & Soskice, 1988) in attempts to explain the continued limited engagement of employers. Whilst the UKCES (2009) diagnoses a skills gap of around 1.8 million people (with an estimated loss of revenue of 10 billion GBP per year, or 165,000 GBP for a typical company with 50 employees according to the National Audit Office [2005]), it also notes an increasing number of employees who are over-qualified for their current jobs. Critically, it is suggested that the problem in skills policy can be located on the demand side with “too few high performance workplaces, too few employers producing high quality goods and services, too few businesses in high value added sectors” (UKCES, 2009: 11). This assessment questions the skills-supply approach that has been informing English VET and, more generally, skills policy over last 20 years. UKCES continues with the suggestion of a “long tail” (ibid: 12) of poorly qualified managers, calling for economic and industrial policy in order to raise the ambitions of employers. However, critical voices would be fast to interject that “the state has little scope for influencing employer practices” (Rainbird, 2010: 242). In their critique of the skills-supply approach, Payne and Keep (2011), on the one hand, suggest relatively low demand for Level 3 skills as compared to other countries and a corresponding reluctance of employers to co-fund Level 3 qualifications; on the other hand, they also attribute the failure of engage employers to public policy: “the problem may reflect a realisation on the part of employers that if they did not train themselves, the Government would step in and do this for them through an expanded further and higher education system” (ibid: 13). In this context, it is also important to recall

that most government-funded training and apprenticeships are not managed by employers but private training providers as intermediaries between government, employers and young people (Keep, et al., 2010; Oultram, 2012), raising the issue whether produced qualifications are actually needed by employers (Rainbird, 2010).

The modest track record of government policy and the evidence of continuous failure to engage employers provide, *prima facie*, some considerable support for the thesis of a fundamental political economy problem at the heart of England's poor record in vocational skills formation, and that government efforts to promote vocational skills are futile. **Not only are liberal market economies such as England ascribed a 'natural' strength in general skills (which is typically thought to have facilitated post-industrialisation and the associated growth of service sector employment), the very set-up of their political economies (as discussed earlier) are seen as effectively undermining vocational skills formation (cf. Hall & Soskice, 2001, especially for the concept of 'institutional complementarities).** However, VoC and the institutionalist literature more generally with its concept of path dependence have been criticised for their bias towards stability, and a growing empirical and theoretical body of research suggests greater scope for institutional change than commonly assumed in the institutionalist political economy literature (Deeg & Jackson, 2007; Mahoney & Thelen, 2010). **Returning English VET policy, the notion of the low skills/low productivity equilibrium might be viewed as being too deterministic. For instance, although UKCES sees in principle a demand problem, it also reports a lack of technicians with intermediate technical skills (UKCES, 2013), which could be thought as providing a fertile market for certain technical apprenticeships.** Turning towards the service sector, the commission's assessment of skills needs in the financial sector identifies a demand for vocational skills in this industry for greater productivity and competitiveness (UKCES, 2010). These two examples indicate the viability of (targeted) investments in VET in a liberal market

economy, despite some compelling evidence for a low skills/low productivity equilibrium (see also National Audit Office, 2012 on the return of apprenticeships). The analysis of past skills policy also uncovers some poor policy-making. For instance, in its review of VET policies, “the OECD team was struck by a number of issues where data and analysis, particularly from international sources, could be used more fully to advance policy-making in England” (OECD, 2009: 33). This raises the issue whether the failure of VET policy is a public policy rather than a fundamental political economy problem. In the next section, key parameters of VET policy are discussed, which suggests that it might be rather premature to reduce the failure in VET to a political economy problem.

The Failure of VET in Britain: Just a Public Policy Problem?

The examination of English VET policy, including a number of reports by the National Audit Office (NAO) and the House of Commons’ Committee of Public Accounts, raise serious concerns that point to poor public policy-making, which might account for the limited progress in VET in spite of the mobilisation of substantial resources. Whilst the NAO is generally positive towards VET and apprenticeships in terms of their economic benefits and value for the public purse (National Audit Office, 2012), it casts some doubts on the government’s resource allocation, and in particular identifies ‘additionality’ as a major problem. This was first raised in 2005, when the NAO noted the “risk that subsidies for first Level 2 training may be used for training by many of the overall minority of employers who would have undertaken it anyway” (2005: 34). The Committee of Public Accounts shares the concerns expressed by the NAO in its critical assessment of the Train-to-Gain programme, in which “around half of employers whose employees received training say they would have arranged similar training without public subsidy, and two-thirds had used Train to Gain to help to meet legal requirements to train staff” (House of Commons, 2010: 13). In a 2012 report, the NAO notes critical-

ly that the government has failed to address the problem of additionality despite its attention being drawn to this, as it notes more generally that government targets for some sectors are not based on evidence of economic returns and that government is not clear about its “strategic direction” in the apprenticeship programme (National Audit Office, 2012).

As a specific example of poor public policy-making, it can be referred to the Committee of Public Accounts’ assessment of the Train-to-Gain programme, where one finds “serious weaknesses in the way the programme has been managed” (House of Commons, 2010: 3). The programme started ambitiously with “unrealistically high” (ibid: 5) targets, which overestimated demand from employers and the capacity of training providers; and accordingly Train-to-Gain underspent. The government then widened eligibility criteria for the programme, which created more demand than the programme could afford -- resulting instead in overspending and an “unacceptable position where too much training is in the pipeline and employers with new requirements are being turned away” (ibid). The Committee also draws attention to a risk of fraud in the practice of sub-contracting and to low success rates. In light of the experience with the Train-to-Gain programme, it does not come with much surprise that the NAO (2012: 21) associates the recent rapid expansion of (adult) apprenticeships with risks to quality.

Related to the issue of quality, the NAO views critically the earlier reported rise of apprenticeships lasting six months or less -- from 12% in 2008/09 to 19% in 2010/11.⁹ The NAO highlights the “risk that shorter apprenticeships do not allow enough time for training and the development of apprentices’ skills” (2012: 24). More candidly, the Committee of Public Accounts expresses its “concerns about the number of short programmes classified as apprenticeships and about the quality and amount of training some apprentice receive which we consider inadequate and poses risks to the value of the programme to individuals and em-

⁹ Some sectors show particularly high numbers of short apprenticeships. For instance, in IT, one of the fastest growing sectors, 68% of apprentices finish in six months or less.

ployers” (House of Commons, 2012: 4). The new standard minimum of 12 months was meant to address this problem, although exceptions for adult apprenticeships (where most growth took place) call into question the effectiveness of this new requirement. The Committee also criticises that only less than half of apprentices received off-the-job training. With regard to the modest requirement of ‘guided learning’ (of which 100 hours are delivered off-the-job compared to a minimum of 900 hours in German-speaking countries; Steedman, 2011: 3), the NAO, however, notes “that is it unclear how the number of guided hours will be defined, monitored and enforced in practice” (2012: 24).¹⁰ An issue with compliance one also finds with the failure of training providers to collect expected contributions from employers. (ibid).¹¹

The scrutiny of the funding regime also questions efficient and effective resource allocation. It has attracted much criticism that the funding regime since the early 1990s has driven the provision of relatively ‘cheap’ qualifications and apprenticeships in, for instance, business administration and customer services, where high deadweight costs are commonly assumed (Fuller & Unwin, 2011). This raises the fundamental question “whether the State should be funding vocational provision (for both young people and adults) which is doing little more than accrediting skills that are relatively easily gained in the workplace” (ibid.). Also related to the funding regime, the NAO (2012; see also House of Commons, 2012) criticises that, in 2010/11, more than four-fifth of all apprenticeships are found in no more than 15 framework subjects (out of 118). The most popular apprenticeships are fairly generic subjects that can be offered to apprentices in different sectors allowing training providers to offer apprenticeships

¹⁰ The NAO refers to providers, who believe that it was unlikely that guided hours of learning would be monitored and enforced. Instead of robust monitoring, one created a system in which the apprentice is expected to verify that s/he received the required amount of guided learning before the receipt of the completion certificate. Since apprentices would not be able to complete their training if they stated that their training did not comply with statutory requirements, it is very unlikely that this reporting system will result in employers and providers complying with minimum quality standards, in addition to the problem that it is not clear what guided learning actually means

¹¹ According to a 2009 survey, 43% of providers do not collect fees from employers, suggesting it was possible to offer higher quality training for the same costs if fees were collected.

in bulk and to exploit greater economies of scale. This casts doubts on the extent to which training providers actually respond to local demands, or whether providers (with very proactive sales teams) largely limit their activities to apprenticeships which they can provide easily and cheaply. On the issue of costs and compensation, the NAO (2012) finds that the tariffs for different apprenticeships are not based on robust information with regards to the costs of training, which essentially means that we do not know whether the public is “paying training providers too much for some apprenticeships” (House of Commons, 2012: 5). This might further drive providers into offering only a limited range of the most profitable apprenticeships.

For a better understanding of employer engagement in apprenticeships, we need to consider corporate decision-making. Some suggest that firms make “very precise calculations of the costs and benefits of initial vocational education” (Pilz 2009: 64); whereas others assume much more subjective assessments and suggest that firms greatly rely on word-of-mouth and typically refer to the experience of other companies (National Audit Office, 2005; OECD 2009). There might indeed be very good reasons to challenge the idea that ‘very precise calculations’ are actually possible in VET provision, yet it is difficult to refute that employers engage in some form of cost/benefit analysis before committing to apprenticeships. British companies are typically seen as viewing labour and training costs from a short-term perspective, undermining long-term investments into training that are perceived as a risky endeavour (Hillmert, 2008; Lloyd & Payne, 2002). Although one might want to criticise this behaviour (in addition to the observation that British firms relate vocational skills to specific activities in a company, as compared to the occupational approach to vocational skills in Germany; Pilz, 2009), it might be sensible to ‘accept’ this parameter when trying to understand employers’ reluctance to commit to VET provision. Contributing to the low employer demand for apprenticeships, it has been argued that English apprentices are relatively well paid compared to some Continental European countries with high numbers of apprentices (see

Table 1). In addition, apprenticeship durations of three to four years in the Continent allow employers to ‘recoup’ some their training costs and might even allow them to ‘break even’ in the second half of the apprenticeship. By contrast, a Level 2 apprenticeship in England typically takes between 9 months to 1 year, whereas 18 months to 2 years are normally needed to complete a Level 3 apprenticeship. These shorter durations make a business case for apprenticeships (especially, high-quality vocational training) much more difficult (Steedman, 2010).

Table 1: Index of Average Weekly Apprentice Pay, 2006

England	100
Austria	55
Germany	73
Switzerland	36

Source: Steedman 2010: 4

Employer investment in VET and specifically apprentices becomes even riskier, if one considers the danger of ‘poaching’ as mentioned earlier (see also National Audit Office, 2005). **Some observers, for this reason, have argued that the UK’s flexible labour market is incompatible with high employer engagement in VET provision (especially, through apprenticeships); and, accordingly, have called for greater labour market regulation as an integral part of a more fundamental re-design of the UK’s political economy in order to overcome the short-term perspective and, more generally, low-cost routes to profit-making of many employers (Brockmann, et al., 2010; Lloyd & Payne, 2002). There might be very good reasons why the UK’s liberal market economy is not most prone to VET provision, as highlighted in the VoC literature with its notion of complementarities (Hall & Soskice 2001; see also Green, 2001). Whilst increasing the minimum wage, for**

instance, might block off some low-costs routes to profit-making (Lloyd & Payne 2016), it is rather debatable as to whether greater regulation of the labour market would make English employers to fundamentally reconsider their appreciation of VET and especially apprenticeships. Admittedly, greater employment protection might increase employees' willingness to invest in specific skills (as suggested by the VoC literature), however, it is less clear whether greater labour market regulation would facilitate greater employer engagement, as employees would still have the freedom to leave their employer in the event of a better job offer. **The key problem of poaching that is often associated with the UK's liberal labour market remains unaddressed by greater employment protection.** Approaching the issue from a cross-national point of view, the evidence for greater workplace learning in regulated labour markets is far from conclusive. Whilst Germany and Austria have indeed a fairly regulated labour market with high employment protection by international standards, Switzerland is characterised by a rather flexible labour market (see OECD.Stat for employment protection data).

Instead of pursuing stricter employment protection, the comparison with German-speaking apprenticeship countries suggests that lower 'apprenticeship wages' combined with a longer duration of apprenticeship might allow a more favourable 'cost/benefit calculation' of apprenticeships for greater firm involvement. Alternatively, a greater 'intervention' in training provision might be the introduction of training levies. Page and Hillage (2006) draw our attention to training levies in the film and construction industries, and Steedman proposes that sector levies could "contribute to the costs of sector skills bodies and thereby increase employer commitment" (2011: 7). Even the OECD, not typically known for heavy interventionism, suggests that the country "may need to consider more coercive measures, for instance sectoral or universal training levies" (2009: 26) to overcome the persistent market failure in skills formation.

There is also strong evidence suggesting that employer engagement is undermined by little institutional continuity in English VET policy, which is seen as being characterised by “particularly high levels of complexity, instability and uncertainty” (Halász, 2011: 581). As shown, the policy field has been subject to considerable policy activism since the 1990s creating a very complex and unstable policy-setting. High complexity and especially uncertainty, however, is “a major obstacle to increasing employer engagement” (ibid: 582). For instance, with Sector Skills Councils, a sectoral dimension was added to the territorial one (the latter important for funding), duplicating administrative and governance structures, whereas UKCES was established with the intention to provide “strategic leadership” (ibid: 588). In terms of VET provision, FE colleges had traditionally played the most important role, but they were challenged by more specialised private training institutions. Also, with regard to the funding regime (which requires a “truly staggering amount of submission writing, documentation, data recording and data returns”; Steedman, 2011: 5), many employers report great difficulty understanding the system, undermining their readiness to engage in VET; this of course applies in particular to smaller businesses, as these lack specialised HR staff. In short, as the National Audit Office remarks, “public funding is complicated and time-consuming to research” (2005: 32), and its paperwork ‘swallows’ a substantial chunk of government funding for apprenticeships (Steedman, 2011). With a similar impetus, the OECD assesses that policy structures “are both more complex and more unstable than in most other OECD countries” and concludes that this “inhibits employer engagement” (2009: 13) and leaves many employers somewhat confused (see also National Audit Office, 2005). UKCES also finds “evidence that key stakeholders including employers, education and training providers, and learners find the system difficult to understand and navigate” (2013: 33).

Some ambiguity, however, is created insofar as employers commonly call, on the one hand, for less bureaucracy and a simpler system (with more easily readable qualifications);

yet, on the other hand, business contributes to greater complexity by demanding to take into account their company-specific skills demands (Halász, 2011; National Audit Office 2005). UKCES (2013) reports more than 16,500 qualifications, with extremely variable numbers of participants across qualifications. Thus, whilst employer engagement might be critical for successful VET provision, there are also situations when their engagement “may be undesirable – as when employer influence narrows training down to employer-specific skills at the expense of the transferable skills which will be more useful both to the worker and the UK economy” (OECD, 2009: 18). Overall, the UK VET and apprenticeship system is seen as being narrowly geared towards current employer needs (Hogarth, et al., 2012).

Despite the rhetoric of employer-driven reforms, English VET policy developed “from a relatively uncoordinated system (...) to a highly centralised system” (Rainbird, 2010: 266) intervening into the supply side of the labour market. Vocational skills formation became effectively part of the education system with the state providing most funding (ibid.). Admittedly, some employers have been creative in taking advantage of this system and used public funds for narrow firm-specific training. Payne and Keep (2011) conclude that employers have been rather ‘savvy’ in securing training funding, which they otherwise had to mobilise themselves; and they accordingly suggest relatively high deadweight (i.e. an inefficient resource allocation). The dominant role of the state has largely ‘crowded out’ other stakeholders, including employers, which have little ownership and influence. Hence, VET, including apprenticeships, has developed into “an instrument of State policy” (Fuller & Unwin, 2009: 405).

Conclusions and Discussion: Is Meaningful Vocational Training possible in England?

Whilst an ambitious VET agenda of workforce upskilling might require “a very strong lead from government” (OECD, 2009: 5), it has become clear that the policy activism of different governments was of only very limited success. England failed to break with its troubled lega-

cy of VET policy, and insofar one might indeed want to argue that England remained caught in the low skills/low productivity equilibrium. VET policy failed to pursue a clear break with the tradition of the Youth Training scheme of the 1980s, as Level 2 qualifications (most with little labour market value) continued to dominate policy – despite the knowledge that investments in Level 3 skills yield greater returns. The predominance of low-level qualifications combined with the rise of adult VET raise serious doubts over the effectiveness and efficiency of resource allocation, questioning the meaningfulness of current, state-funded skills formation in England. Thus, considerable government intervention in the liberal training regime, including the mobilisation of considerable financial resources, did not result in overcoming poor vocational skills in the workforce, as government intervention failed to facilitate coordination mechanisms for greater employer engagement. The lack of employer engagement remains a major problem, and the ‘door’ to genuine workplace learning, as aspired with apprenticeships, has remained ‘closed’. Although the greater (financial) stake of the state in VET might be viewed as a departure from the liberal training regime, we need to consider that the delivery of state-funded VET relies greatly on market mechanisms with the rise of private training providers. Also, the voluntarism towards private training providers (that is the lack of solid quality standards in VET provision, and training providers steering VET provision) appears to have undermined high-quality VET, suggesting that the VET market has failed. Unsurprisingly, government has not been successful in elevating the social status of VET.

The absence of any significant change in the political-economic set-up suggests that both conservative and Labour governments approached VET provision as a public policy problem. The continued policy failure raises the issue whether the voluntarism of England’s training regime has reached an end or, in other words, whether more fundamental reforms are inevitable for meaningful vocational skills formation. From a political economy perspective, fundamental changes in the British political economy are a pre-requisite for successful voca-

tional skills formation. Lloyd and Payne, for instance, call “for radical economic and social modernisation” (2002: 367), including not only active state industrial policy but also greater labour market regulation and stronger trade unions. They identify organised labour as “crucial agency of change” (ibid: 373), and continue that a “high skills project in the UK could not be a happy consensual affair” (ibid: 374). With a similar impetus Brockman et al (2010) call for more regulated industrial relations and labour market, as well as a greater involvement of trade unions in education and training. This is not to argue that the political economy perspective does not offer ‘incremental’ recommendations that do not fundamentally challenge Britain’s liberal market economy. Brockman et al (2010), for instance, rightly highlight the importance of investments in FE colleges for better equipped workshops; and Lloyd and Payne (2006: 476) emphasise that they “are not fundamentally opposed to gradualism or small steps forward”. Ultimately, however, it is maintained that “radical institutional transformation” (ibid: 473) calling into question the fundamentals of the British economy is required.

Yet, political economy theory, and most prominently the VoC approach with its emphasis on path dependence and institutional complementarities (Hall & Soskice 2001), suggests that radical reform is a very unlikely endeavour. **Also, the incredible weakness of trade unions (especially, in private sector workplaces; Baccaro & Howell 2017) make it appear a rather remote prospect of organised labour becoming the key agency of change; and in fact Lloyd and Payne acknowledge the severity of “trade union decline and marginalization from public policy” (2016: 211).** Instead of radical reform for vocational skills, the VoC literature with Soskice (1993) as its most prominent representative, who advised Tony Blair on education and skills, explicitly suggest mass higher education for upskilling the British workforce rather than Continental-style apprenticeships; and indeed, the expansion of higher education (Hillmert 2008; Rainbird 2010) indicates a collective upskilling that complies with the expectations of VoC theory, despite some considerable activ-

ism in VET policy. And even, Lloyd and Payne conceded, during the New Labour government, that they were “deeply pessimistic” (2006: 478), but expressed the hope that “a major social or economic crisis” (ibid) would open up opportunities for a radical reform project. The analysis presented in this paper shares their critical assessment of New Labour’s record, but we did not identify any major change after the global financial crisis of 2008, which for Britain in particular presented a major social and economic crisis. In fact, in the Great Recession, government continued on Labour’s VET trajectory whilst imposing largely uncompromising austerity policies -- making us conclude regress rather than progress.

Where does this assessment leave us? Should England abandon the project to improve vocational intermediate skills and the related aspiration to ‘rebalance the economy’? Although the political economy literature provides important insights, the analysis of VET policy not only suggests some poor public policy-making but also policy ‘levers’ for better VET provision. A number of measures can be used to increase the efficiency and effectiveness of resource allocation for better results. Instead of focussing on Level 2 qualifications and adult apprenticeships, policy-makers, withstanding the ‘temptation’ of big enrolment figures (possibly because of electoral reasons), should take their aspiration of Level 3 qualifications seriously, and combine meaningful workplace learning with off-the-job training. Thus, whilst the recent increase in apprenticeship numbers might look impressive, the government-commissioned Richard Review notes “a drift towards calling many things apprenticeships which, in fact, are not” (Richard, 2012: 4).

Evidence from the National Audit Office (2012) suggests that higher qualifications offer a better ‘return’ for the public purse, and the OECD (2009) points to the greater appreciation of Level 3 and 4 qualifications in the labour market (see also National Audit Office 2005). The switching of funding for the over-25s to the under-25s could release additional resources for more expensive Level 3 qualifications. The Richard Review makes the valuable

recommendation that apprenticeships “should be clearly targeted at those who are new to a job or role that requires sustained and substantial training” (2012: 7), which would more closely correspond with the Continental European practice. It is also important to underline the need to simplify the English VET system, in particular the funding system so that it can be understood more easily by stakeholders and especially employers (Steedman 2011). The research discussed in this paper also suggest the need to simplify the qualification system with its around 16,500 different qualifications, which are difficult to read and understand by employers. Whereas greater standardisation and prescription of training content might ‘upset’ a few employers who were able to gear the funding system towards their narrow business needs, it can be expected to facilitate industry standards for the benefit of larger numbers of employers, in addition to learners appreciating more transferable, industry-specific skills. A revised VET system with an engagement of a wider range of employers might also antagonise private training providers, who appear to have offered ‘easy’ qualifications and apprenticeships in bulk rather than meeting local demands. The provision of a narrow range of service sector apprenticeships might also not contribute to the desired ‘rebalancing of the economy’.

Taking the failure of voluntarism and the problem of free-riding seriously, the institutional re-design of VET policy could benefit immensely from the introduction of training levies. And with some surprise, the current Conservative government introduced an apprenticeship levy of 0.5% of a company’s wage bill to fund 3 million apprenticeship starts by 2020. An allowance of 15,000 GBP, however, means that the levy does not affect businesses with a wage bill of less than 3 million GBP. According to the government’s estimate, only 2% of companies will pay the new training levy (BIS, 2015). Whilst this training levy might be a suitable mechanism for funding an expansion of apprenticeships, the exclusion of the vast majority of companies does not allow the expectation of any meaningful increase in employer commitment to apprenticeships across the economy. Rather, one might fear ‘more of the

same', as current governmental policy does not suggest changing other fundamental parameters of VET, regardless of the Trailblazer initiative for apprenticeship standards, for instance (HM Government, 2015). Critically, current policy does not suggest any withdrawal from the dominance of short Level 2 apprenticeships or a withdrawal of apprenticeships from older employees, who often formalise existing qualifications rather than engage in genuine skills formation. Longer apprenticeship durations are not only crucial for improving the quality of VET provision but also for allowing firms to 're-coup' their monetary and non-monetary investment into training, in addition to lower remuneration for apprentices as in German-speaking countries. However, to apprentices, modest pay during extended apprenticeships might only be acceptable if the quality of training improved (including a qualification that is widely accepted and recognised). A formalisation of a meaningful qualification at the end of training might prevent young people from leaving early longer apprenticeships. **In the face of the discussed weakness of organised labour and the un-readiness of employers, this ultimately calls for a very strong lead from government revising the regulatory framework for VET and apprenticeships in particular; and with government prioritising Level 3 qualifications in certain sectors based on identified labour market needs and industrial priorities – rather than hoping for the effectiveness of the private training market, which largely produced Level 2 qualifications with virtually labour market returns. But instead of strengthening high-quality apprenticeships as *initial* VET for school leavers, the government's recent initiative for college-based T-levels for the 16-19 year-olds (HM Treasury, 2017) supports the assessment of no fundamental governmental rethink of apprenticeships and their place in a modern economy.**

VET policy in England is at a critical juncture. The shock of the Great Recession and its particularly big impact on the British economy, with policy-makers calling for rebalancing the economy, provided VET with new momentum. However, VET policy is unlike-

ly to meet expectations, unless policy-makers are prepared to more fundamentally reconsider their approach to VET, in addition to rethinking their approach to industrial policy in order to address the demand side problem. In light of the failed skills-supply approach, a more active industrial policy can be considered critical for better skills utilisation by employers in order to address the economy's poor productivity record (Lloyd & Payne, 2002; UKCES, 2009). Yet, as pointed out by Cowling and Tomlinson (2013: 2), despite the acknowledgement of poor productivity and the greater importance ascribed to industrial policy in the aftermath of the financial crisis for 'rebalancing the economy', among policy-makers we find "little understanding of what policy frameworks and guidelines may be needed to achieve more long term sustainable productive activities". With a similar impetus and actually a rather sceptical outlook, Berry (2016: 882) argues that "post-crisis industrial policy innovation represents a shift in policy discourse not matched by policy substance" – with policy innovation undermined by ideational constraints and the lack of institutional resources. Admittedly, meaningful industrial policy might be seen a challenge to Britain's liberal tradition, and it is not easy to achieve either, as the recent (non-) development of industrial policy suggests. Yet, it does not require a fundamental configuration of the political economy but still presents an integral part of effective skills policy. In any case, we cannot expect England to move onto a 'German' trajectory of VET provision. Not only much of political economy theory but also the policy transfer and learning literatures tell us about the limits of institutional re-design following international best practice (Dolowitz & Marsh, 2000). Thus, on the one hand, the expectations about the reform capacity of English VET policy should remain reasonable; on the other hand, the here presented analysis of English VET suggest some significant room for public policy for better VET provision. Critics like Soskice might still insist that VET policy remains a futile endeavour, but Lloyds and Payne, though we remain sceptical about the prospect of a "radical" transformation, have a good point when they argue "we shall not know how much space really ex-

ists (...) in the UK until such a project is attempted” (Lloyds & Payne 2002: 386) in a meaningful manner; and possibly gradual change through a ‘less ambitious’ *public policy* strategy might open up future room for more transformative change.

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